



**County of Los Angeles**  
**COVID-19**  
**Economic Resiliency Taskforce**  
**Small Business Sector Recommendation Report**  
**June 26, 2020**

## Summary

Small businesses form the backbone of Los Angeles County's (County) – and the region's – economy. The County accounts for nearly a quarter of the population of California and deeply impacts the economics of the state. With 88 incorporated cities and over 100 unincorporated areas throughout the County, the diversity of communities and interests provides a unique challenge for policymakers, as they seek to identify policies that are of benefit to all small business owners across the County. Over 93% of all businesses in the County have 20 or fewer employees and COVID-19 has affected these businesses disproportionately. Over one million jobs have been lost in the County alone, with an unemployment rate in April and May of over 20 percent. More than three-quarters of jobs lost have a median income below \$50,000, putting an additional strain on those families who may not have had the ability to grow their savings and, therefore, are more at risk of facing eviction or losing their homes. The hardest hit sectors include: food services, hospitality, entertainment, recreation, retail, construction, manufacturing, personal services, and transportation.

The County is also home to the largest concentration of minority-owned businesses in the United States. Of 244,000 small businesses in the County more than 55% are minority-owned. Many of these businesses are in the food and retail industry, which have both been hit particularly hard. Minority business owners also face historic barriers to receiving government services and support and may be less likely to access available resources and receive technical assistance regarding safe re-opening protocol.

Small businesses throughout the County are also concerned about bringing workers back safely, covering fixed costs like rent, and enticing back customers who may be reducing their spending because of infection fears or loss of income. Without a robust support system for these businesses, many are at risk of failing in the short-term, compounding the loss of jobs and regional income and harming the prospects of a relatively speedy recovery.

This report offers seven recommendations on how to strengthen the prospects for economic recovery throughout the County with a sharp focus on equity. The Work Group believes these seven key thematic recommendations will move the needle on reinvigorating and strengthening the County's small businesses. The following recommendations are discussed in detail below:

1. Implement strategies to ensure equity for small business economic recovery.
2. Create clear long-term protocols and guidelines for re-opening.
3. Develop an aggressive and meaningful education program for businesses related to health and safety protocols and requirements.
4. Increase disaster recovery funding available at the local level, establish financial incentives for businesses that are reopening within health and safety protocols and guidelines, and support additional sources of access to capital.
5. Streamline the permitting process through a "one-stop" concierge service program and relax operating restrictions.
6. Strengthen County procurement and contracting opportunities for small businesses and other certifications.
7. County should consider leveraging its buying power by requiring its large vendors to give small businesses price breaks on personal protective equipment (PPE) if "like businesses" form cooperatives and buy in bulk.

It is important to emphasize that our Work Group agrees on the need for equity and inclusiveness in economic development. There is a need to address the historical inequities to inform future policies that can break down barriers and expand opportunities for our diverse business community and specifically low-income people and communities of color. As such, each recommendation should be developed and carried out with an equity and inclusion lens to ensure that those that have historically been underserved or left out can participate and prosper.

## Government Response in Support of Small Businesses

Although the public health realities of the pandemic required businesses to close or severely restrict their operations to slow the spread of COVID-19, government at every level took immediate steps to address the impacts to small businesses.

At the federal level, Congress approved the Paycheck Protection Program (PPP) to provide federally backed forgivable loans to business to cover payroll and other specified expenses incurred between February 15, 2020, and June 30, 2020. A key feature of the program is the

ability for loan forgiveness for some or all of the loan for up to 24 weeks of payroll based on employee retention and salary levels (or through the end of the year, whichever comes first). Many minority-owned small businesses have been unsuccessful in obtaining emergency funding, such as the PPP or federal Economic Injury Disaster Loans. A June 5, 2020, Time.com article noted that “Data and interviews with small business owners and advocates say that of all of the businesses that have struggled to access relief from the Paycheck Protection Program, minority-owned businesses have taken the biggest hit.”<sup>1</sup> Delayed applications for sole proprietorships, and banks prioritizing existing customers, exacerbated the problem for black-owned businesses.

At the state level, the California Small Business Finance Center (SBFC) partners with Financial Development Corporations to provide loan guarantees and direct loans for small businesses that experience capital access barriers. Although underutilized, the loan guarantees provided for the Disaster Relief Loan Guarantee Program help to mitigate barriers to capital for those small businesses that do not qualify for federal disaster funds, including businesses in low-wealth and immigrant communities.

The County has also taken local action to support small businesses and nonprofits in the region. The following is a high-level summary of these actions:

- *LA County Business and Worker Disaster Help Center.* At the onset of the COVID-19 pandemic the County worked quickly to launch the LA County Business and Worker Disaster Help Center (Disaster Help Center). The Disaster Help Center has assisted businesses and workers by connecting them to critical resources and information to help them navigate the pandemic. The Disaster Help Center has helped businesses understand reopening protocols, gain access to grants and loans, provide counsel on questions of rent assistance, and connect them with additional resources as needed. To date, the Disaster Help Center has assisted over 12,600 callers in nine different languages, providing access to resources for minority-owned businesses and minority workers.
- *Los Angeles County Development Authority Loan Program.* For-profit businesses located within a quarter mile of a Major Transit Stop were offered loans up to \$20,000. The application period closed on June 19, 2020. Eligible businesses must either be located within the County unincorporated areas or within a Community Development Block Grant participating city.
- *Workforce Development, Aging and Community Services Employer Assistance Grant Fund.* This program provided a total of \$500,000 to local businesses. Individual businesses were eligible to be awarded up to \$10,000 based on demonstrated need. Approximately 25%

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<sup>1</sup> Abramson, A., 2020. *As Minority-Owned Businesses Fall Further Behind During the Pandemic, Efforts Are Underway To Help. It May Not Be Enough.* [online] Time. Available at: <<https://time.com/5848557/black-owned-business-coronavirus-aid/>> [Accessed 25 June 2020].

of awards were reserved for social enterprises that demonstrated a need and ability to serve vulnerable populations. There were over 500 applications received.

- *Commercial Eviction Moratorium.* On March 19, Supervisor Kathryn Barger, Chair of the County Board of Supervisors, signed an Executive Order which placed a moratorium on residential and commercial evictions in the County unincorporated areas due to the COVID-19 pandemic. This moratorium is retroactive to March 4, 2020, the date of the County's declaration of an emergency, and will continue through July 31, 2020. The moratorium may be extended by the Board on a month-to-month basis. On April 14, 2020, the Board expanded the temporary moratorium to include all jurisdictions countywide unless they have already adopted their own moratoria to include mobile home parks who rent space to mobilehome owners. The moratorium was also modified to cover only small businesses with 100 or fewer employees, and excludes multinational and publicly traded companies.
- *LA Regional COVID-19 Fund.* On April 14, 2020, the County Board of Supervisors adopted a motion by Supervisor Mark Ridley-Thomas to establish a COVID-19 recovery fund for the County region. The first phase of the fund included partnering with Goldman Sachs and Community Reinvestment Fund to provide \$15 million in PPP loans to small businesses and nonprofits who had not been able to access PPP through a traditional banking relationship. A locally funded, public-private grant fund is expected to launch in July 2020 and will target microentrepreneurs, small businesses and nonprofits in low- and moderate-income census tracts, followed by a loan fund later in the year.

Despite these efforts, more is needed to ensure small businesses not only survive the pandemic but position themselves for long term success. The recommendations below address the gaps and opportunities available to the County to enhance its support of the small business sector.

## Recommendation No. 1: Implement strategies to ensure equity for small business economic recovery

In a recent National Bureau of Economic Research Paper, it was determined that between February and April, active businesses declined 22% nationally. During this period, the hardest hit business owners were:

African American	41%
Immigrant-Owned	36%
Latinx	32%
Asian	26%
Female	25%

The study used data from the Census Bureau's Current Population survey from April.<sup>2</sup> William Yu, an economist with the UCLA Anderson Forecast stated that the self-employed - which includes sole proprietors and independent contractors - were hit harder in Los Angeles County than elsewhere. He noted that "Between April 2019 and April [2020], employment among the self-employed declined 22% in Los Angeles County while only declining 15% statewide." Lending special awareness to the County's hardest hit segments and small businesses will optimize and stimulate economic recovery. The Los Angeles Economic Development Corporation reports that the County is 25% of the State's population but accounts for 33% of its employment.

Historically, minority-owned businesses are hit the hardest as many do not have pre-existing relationships with banks and may be more likely to need non-traditional loans. Access to capital has always been tougher to obtain for these businesses and a history of redlining in the financial services industry in minority communities has led to a lack of infusion of needed capital in many areas of the County.

California voters will also have the opportunity in November 2020 to vote to repeal Proposition 209 which, among other things, prevents governments from tailoring programs to support minorities and women. With the groundswell of public support, the Work Group believes there is a significant probability that this will be passed by voters in November and recommends that the County prepare for the implementation of a program to support minority-owned and women-owned business enterprises (MBE/WBEs).

Here are recommended steps for the County to integrate an equity lens into small business economic recovery:

- a. LAUNCH AN MBE/WBE PROGRAM - Direct the County Procurement Office to develop an MBE/WBE program. Considerations should include:
  - i. A task force or focus groups comprised of minority and women owned businesses who can share how to best engage them for higher responses on contracts. (i.e. electronic submissions, reducing or removing bonding requirements for contracts (prime/sub) below \$500,000; reduce sub insurance flow down requirements for contracts below \$500,000.
  - ii. Master agreements for needs that include a certain number of small, medium or large businesses.

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<sup>2</sup> Fairlie, Robert. 2020. *Review of the Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from April 2020 Current Population Survey*. Edited by National Bureau of Economic Research. NBER Working Paper Series, June.  
<https://www.nber.org/papers/w27309.pdf>.

- iii. Developing a disaster purchasing program inclusive of local small and diverse businesses.
  - iv. Removing bonding for contracts (prime/sub) below \$500,000
  - v. Reducing approval processes for contracts below a certain threshold.
  - vi. Implementing mentor-protégé programs for businesses owned by immigrants.
  - vii. Implementing a workforce development and mentor-protégé program for hiring and to grow the capacity of minority, women or immigrant owned firms.
- b. CIVIL RIGHTS - Hire a Civil Rights Officer and consider a new department to develop and manage a transparent program for utilizing minority and women-owned firms. This department or body would:
- i. Ensure compliance of these programs.
  - ii. Ensure transparency of the data and utilization.
  - iii. Report out these data on an annual basis.
  - iv. Consider tying MBE/WBE goals as key performance indicators to disparity studies every 3-5 years. The disparity studies will provide benchmarks for disparities within County procurements. If the County is unable to procure such a study now due to legislative processes or funding, a recent disparity study conducted by LA Metro may provide initial insight and guidelines to launch the County program.
  - v. Work closely with agencies with diversity departments and/or small business programs to ramp up quickly so the program can be implemented as soon as the new year begins.

## Recommendation No. 2: Create clear long-term protocols and guidelines for reopening

The ever-changing landscape for small businesses makes it difficult to know what is going to be required next week, next month, for the next six months, and on into the future. Protocols need to be consistent and in place for the long-term until the threat from COVID-19 is completely eradicated. Constantly shifting goalposts cost small businesses money and resources that they cannot afford. Many small businesses are teetering on the brink of closing altogether and now,

more than ever, need a predictable regulatory environment to provide a level of confidence in their operations and balance sheets. The County's Department of Public Health (Public Health) must provide dedicated resources for the thousands of small businesses in the County that are looking for certainty and continuity on their evolving health orders.

- a. Public Health, the Department of Consumer and Business Affairs (DCBA), and the Disaster Help Center should launch a collaborative technical assistance portal targeting businesses that need help understanding and applying Health Officer Orders as they reopen and operate. These entities should partner and collaborate with chambers of commerce and other non-profit organizations to assist with providing the most up-to-date toolkits, posters, guidelines and protocols for disbursement to small businesses. Examples of potential partners are: The Small Business Administration, Small Business Development Centers (SBDCs), SCORE, Women's Business Centers, Veterans Business Outreach Centers, California Economic and Development Department.
- b. Public Health should inform small businesses to follow the Centers for Disease Control and Prevention guidance on the use of cleaning and disinfectants on surfaces during the COVID-19 pandemic.
- c. Public Health must work with small businesses to create and disseminate a clear action plan if there is a spike in new COVID-19 infections, including what they may be asked to if a spike or second wave occurs.

### Recommendation #3: Develop an aggressive and meaningful education program for businesses related to health and safety protocols and guidelines

The Work Group supports the June 9, 2020, passage by the Board of Supervisors of the Los Angeles County Pandemic-Compliant Businesses and Workers Partnership Program which will support our local small businesses and workers help ensure ongoing compliance with State and County Health Officer Orders and guidelines. Public Health and DCBA should collaborate with the SBDCs to establish multilingual, culturally competent education for small businesses countywide. Outreach should include, but cannot be limited to, online webinars for various business sectors to explain protocols and guidelines. The business owner would then be required to take online training to ensure clear and concise understanding of materials. A certificate should be provided to the business owner upon successful completion of the online training course. The County should conduct random inspections to ensure compliance and provide a hotline for customers to file complaints. Additional measures needed include:

- a. Establishing refresher programs focused on ensuring that businesses are continually educated and updated on guidelines and protocol compliance. This program could be similar to food handler certifications. The goal would be to help

businesses understand the protocols and requirements and ensure they are following them as opposed to penalizing a business if they are not, except in instances where serious violations or disregard are exhibited. The County should consider grading businesses if there is substantial non-compliance.

- b. Building a ‘train-the-trainer’ program. Public Health is encouraged to use staff to provide mentor/education classes to SBDCs and other governmental/non-profit partners who support small businesses, microbusinesses, and microentrepreneurs. These mentors/educators will provide guidance on protocols, guidelines, and the appropriate use of PPE to those who will be assisting business owners who have questions and/or concerns.
- c. Include in the training how to handle non-compliance by customers including friendly signage about the importance of compliance for the safety of all.
- d. Amend local ordinances and advocate for changes to state and federal law to mitigate COVID-19-related liability for small business owners as they begin to reopen, without limiting the availability of employee benefits.
- e. Focus on educating businesses about liability, including contracting with a non-profit legal service provider to support low- and moderate-income businesses.
- f. Small businesses should work with relevant County and non-profit partners to develop entrepreneurship programs that provide business owners necessary technical assistance to alter their existing businesses substantially or transition to a new business type that is more sustainable during and after COVID-19.
- g. Deploy a public messaging campaign regarding return-to-work so that employees have enough information to determine whether it is safe for them to return to the workplace, akin to a “Know Your Rights” campaign.

Recommendation #4: Increase disaster recovery funding available at the local level, establish financial incentives for businesses that are reopening with health and safety protocols and guidelines, and support additional sources of access to capital

In an effort to bridge businesses into a “new normal” of social distancing, required PPE use, and operations/capacity at a fraction of what was previously allowed, the County should support businesses as they move to reestablish themselves in the midst of the ongoing pandemic by:

- a. Identifying all County-administered small business loan programs and outsource them to a consortium of non-profit and community leaders that have been



approved as vendors. The County should assure that these programs and loan terms provide flexibility for a disaster scenario.

- b. Immediately mobilizing the County's planned disaster funding programs, including any grant and loan programs.
- c. Assuring that the County has apprised itself of and put into place all available disaster waivers from the U.S. Department of Commerce, Economic Development Administration (EDA), in the administration of existing revolving loan fund programs. Such waivers allow for payment deferrals, eased collection requirements, term extensions, and flexibility in supporting existing County loan clients. The consortium selected by the County could establish a user-friendly application to make it easy to apply and fund loans.
- d. Assuring the County has applied for all capital available through the EDA CARES Act Recovery Assistance, made available through a non-competitive application process with the EDA, which received a \$1.5 billion allocation of CARES Act funds. To accommodate longstanding EDA grantees, an allocation has been made for additional grant funds to grantees in good standing and willing to commit to the scope of work associated with the receipt of and deployment of such funds. That scope of work is solely focused on COVID-19 small business relief.
- e. Actively outreaching to and mobilizing the County's small business resource partners, including SBDCs and Community Development Financial Institutions (CDFIs) with capacity for advisory and lending services. The County should work with lending partners to create (if not already established) a streamlined application process for loans. The goal must be ease of funding with reasonable due-diligence to assure loan repayment.
- f. Amending local ordinances and advocating for changes to state and federal laws and regulations to allow for deferred payment of loans without penalties, and provide resources for lenders to prevent undue impacts from deferrals.

Further, funding must be as patient as reasonably possible, including low-cost, extended "interest only" or "no payment" periods. For example, an appropriate repayment structure could consist of no payments for 12 months, interest-only until the businesses are allowed back to 100% capacity, and then an amortization of 5 to 10 years. Loans should not contain punitive conditions. The County should consider offering businesses who comply with all County-required safe reopening requirements an interest rate discount, and should consider forgiving a portion of the loan if the businesses continues to adhere to applicable health orders. These concessions will provide time for businesses to recapture lost revenues from full or partial closures brought about by "Safer at Home" requirements.

Funding flexibility must also extend to the use of funds, to include employment or re-employment of staff, purchase of necessary PPE, installation of any required barriers to protect personnel and customers, or anything necessary for a compliant re-opening. Interest-free loans should be made available for PPE and health protection measures.

### Recommendation #5: Streamline the permitting process through a “one-stop” concierge service program and relax operating restrictions

The County should coordinate permitting departments into a “one-stop shop” to enhance the efficiency of the permitting process, thereby reducing the waiting time substantially. This should include prioritizing over-the-counter permitting and as much online permitting as possible. This streamlining effort should extend to health, zoning, and building inspections, as well. To ensure efficacy of these new policies, relevant permitting agencies should implement the following:

- a. Review all regulations that impact businesses and remove obstacles or reduce fees where possible.
- b. Develop a uniform and streamlined permitting process for small business owners that requires alignment between all state, County and local agencies to support small business recovery.
- c. Consider a one-year moratorium on permitting fees.
- d. Suspend parking requirements for all existing and new restaurant applications in the unincorporated areas.
- e. Allow businesses to use the public right-of-way including, but not limited to, streets, sidewalks, and parking lots to support public safety/social distancing requirements, with no additional permitting or event costs.
- f. Support mass transit & mobility options.

### Recommendation #6: Strengthen County procurement and contracting opportunities for small businesses and other certifications

Simplify the process of doing business with the County, including streamlined certifications, a simplified contracting process, and stronger incentives with the County’s preference programs. There are numerous opportunities in this space as enumerated below:

- a. Establish an enhanced prompt payment program. The County has a prompt payment program – 15 days – as well as a liaison and process for escalation. Given the economic recovery needs, enhancements to the program as well as other

program initiatives can support the local small business recovery. Specifically, an enhanced prompt payment program would have the following attributes:

- i. Reduce the prompt payment period from 15 days to 7-10 days.
  - ii. Pay a significant percentage (80-90% recommended) within 7-10 days of invoice receipt if there is a dispute on the invoice or package of invoices submitted, and initiate a 30-day maximum dispute or clarification period before paying remainder of the outstanding invoice if not paid in full.
  - iii. Implement electronic payment for local small business that have opted in. Payments will go directly to the small business' account rather than by mail. This speeds up payment and eliminates any "lost in the mail" checks which can take an additional 10-20 days or longer to be reprocessed.
  - iv. Develop transparent reporting on utilization of local small business payments. Metrics include number of local small firms, dates of invoice receipt, and dates of invoice payment, as well as percentages of amounts paid.
- b. Remove bonding requirements on large capital improvement projects for local small businesses up to \$500,000. Construction projects require bonding. For many small and diverse businesses looking to do work with public agencies, this bonding requirement (which is tied to credit capacity) may be onerous and challenging. By removing this bonding requirement, small and local businesses who may have credit challenges but who are able to perform the work can continue to compete for the project. By removing this bonding requirement up to a certain amount (i.e. the proposal for \$500,000), opportunities will open for small and diverse businesses to participate in public agency procurement that might otherwise be deterred from doing so.
- c. Award preference points if a large business teams up or participates in a joint venture with a certified local small business.
- d. Develop a local small business set aside program, with procurements up to \$5 million set aside for local small businesses.
- e. Significantly ramp up promotion efforts to encourage certification of local small businesses through virtual webinars and social media push.
- f. Develop mentor-protégé programs for large professional service and construction projects. The mentor-protégé program would be based on each contract and would provide measurable and actionable goals for local small business growth, including technical assistance.

- g. Enhance County policy to ensure effectiveness and oversight on procurements to ensure compliance on contracts and oversight of the above. Enhance DCBA's capacity to promote and onboard eligible small business as well as to advocate, track, and assess the efficacy of the above. This includes recommending and implementing adjustments to the program as needed. This effort can include staffing of diversity and economic advocate roles to manage the above. With the impending potential repeal of Proposition 209, these advocates would also play critical roles in ensuring the roll out of diverse including local small business spending programs.

**Recommendation #7: County should consider leveraging its buying power by requiring its large PPE vendors to give small businesses price breaks if "like businesses" form cooperatives and buy in bulk**

Small business access to PPE seems limited and cost prohibitive. The County should consider supporting access to PPE for small businesses by developing a clearinghouse for personal safety equipment and related COVID-19 supplies. This could be achieved by taking the following steps:

- a. Coordinate efforts with local, state and federal partners to ensure non-duplication of efforts. This should include the Governor's Office of Business and Economic Development, Los Angeles Area Chamber of Commerce, Los Angeles SBDC Network, and City of Los Angeles, at a minimum.
- b. Develop a clearinghouse of local, small, diverse suppliers who provide PPE products. The clearinghouse could be an online platform for businesses to upload their supplies, offerings, and eventually their services. This would not require County oversight of the transactions. Companies would be able to upload their products in the key areas related to PPE and safety. Developing such a clearinghouse will stimulate local small business recovery, encourage local small businesses to certify as a Local Small Business Enterprise with the County which would increase the pool of potential suppliers for ongoing County procurements, and incentivize large businesses to mentor a local small business. Additionally:
  - i. Only small businesses should be promoted in the clearinghouse, with additional consideration to local micro-businesses with 10 employees or less.
  - ii. The clearinghouse should provide bulk-rate pricing for local small businesses, and minority- and women-owned businesses, as allowed pursuant to applicable law.

- iii. For large vendors to post product opportunities through this clearinghouse, they should agree to act as a mentor for a local small business, provide bulk pricing to small businesses, and encourage certification by the County or any reciprocal agency certifications. Essentially, the large company would act as the wholesaler and the small local business would be the distributor.
- c. Create a countywide education and messaging program for small and diverse businesses to access PPE through churches, libraries, community-based organizations (CBOs), and other local pickup locations. Develop partnerships with CBOs, churches, and libraries to educate and distribute relevant information to ethnic and low-income communities.

## Conclusion

The challenges facing small businesses nationally and regionally cannot be understated. Restrictions designed to preserve the public's health have drastically limited business operations and many businesses have lost a substantial percentage of their customers. The County must adopt policies and advance programs to help small businesses weather this deepening crisis. The Work Group predicts that even a modest number of small businesses that permanently close during the pandemic will not only harm the long-term outlook of the regional economy, but severely inhibit the wellbeing of communities where those businesses are located.